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ALABAMA Business & ECONOMIC INDICATORS

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Industrial Growth and Environmental

The U.S. Congress will probably pass the most stringent amendments to the 1970 Clean Air Act since its inception. The possible effects of this legislation on specific areas of the country, particularly the Midwest and West Virginia, have been the subject of much debate during the legislative process.

These concerns are reminiscent of the 1970s when the United States passed a number of environmental laws. At that time some feared that these laws would result in a massive exodus of firms to third world countries. Others feared that firms not migrating off shore would seek out the more environmentally permissive locations in the United States. These regulations, some feared, would result in a migration out of the industrial Midwest and Northeast into the South.

To argue that environmental regulation has no impact on location would be foolish. Yet have the fears that such laws cause massive relocations and geographic restructuring been substantiated by the facts?

A private consulting company predicted in 1975 that the unemployment rate would increase by only one fourth of one percent as a result of environmental regulations passed in the early 1970s. A Ph.D. student at the University of Wisconsin estimated the net impact of the 1970 Clean Air Act to be a decrease in employment of only 0.21 percent. In an actual count of plant closings, the Environmental Protection Agency reported only 98 plants closed and a total of 19,580 jobs were lost in the United States as a result of environmental regulation over the 1971-1976 period. Many studies simply confirm the overall conclusion that the net impact of environmental regulation on the aggregate level of economic activity in the 1970s was very small. But these studies did not address the impact of environmental regulations on individual plant location decisions.

One of the early concerns regarding environmental regulation was that firms would relocate to other countries, especially third world countries, to reduce operating costs. However, several studies have found that the political risk of relocating to third world countries more than offsets any environmental cost savings to be found. In surveys of plants that have actually relocated, studies found that these plants almost never cite environmental regulations as a factor in that relocation decision.

Even in industries that were hardest hit by environmental regulations the evidence does not support the conclusion that relocations occurred because of those laws. The general economic condition of the industries (a declining market) has more to do with explaining such moves than environmental regulations. Generally, firms find it more efficient to adjust their production process than to relocate a plant.

The evidence does not support the idea that environmental regulations have resulted in significant industrial flight overseas or have significantly altered the domestic industrial landscape. This does not mean that environmental regulations do not impact the economies of locations which adopt them, but only suggests that the overall magnitude of such impacts has been rather limited. An important lesson from this evidence is that states or communities which attempt to sell their environmental endowments are not likely to find it makes much difference in their industrial growth.

William D. Gunther

Take Note!

Screened headings on the data tables in the April 1990 issue were incorrect. The labels "Oct" and "Nov" should have read "Nov" and "Dec," respectively.

Extremely low January 1990 preliminary retail sales figures shown in this issue reflect the Department of Revenue's implementation of new data entry and computer system. Hopefully, initial problems with the system can be resolved and the revised numbers reported next month.

The University of Alabama

	TAXABLE RETAIL SALES (In thousands of current dollars)				LABOR FORCE		
	Jan 1990[p]	Dec 1989[r]	Dec 1988	Percent Change Dec 88-Dec 89	Civilian Labor Force Jan 1990	Unemployment Rate Jan 90	Dec 89
Alabama, State of	1,407,210	2,222,459	2,328,702	-4.6	1,875,100	6.7	6.5
MSAs							
Anniston	36,451	57,248	60,814	-5.9	51,100	6.6	6.4
Birmingham	356,351	534,745	568,589	-6.0	433,430	5.2	5.3
Decatur	42,885	62,216	68,619	-9.3	60,870	7.7	7.5
Dothan	51,965	75,531	70,137	7.7	58,320	5.6	5.7
Florence	49,417	85,566	82,600	3.6	60,380	7.0	7.4
Gadsden	32,881	47,797	57,427	-16.8	41,620	9.2	9.2
Huntsville	97,776	147,512	131,628	12.1	132,650	5.2	4.6
Mobile	172,248	247,139	226,605	9.1	205,860	7.2	7.1
Montgomery	103,112	207,752	180,571	15.1	136,780	6.1	5.5
Tuscaloosa	50,628	77,896	76,633	1.6	71,030	4.6	4.8
Counties							
Autauga	8,979	14,857	11,714	26.8	16,000	6.7	6.8
Baldwin	29,747	40,804	32,299	26.3	39,710	6.8	6.6
Barbour	5,162	9,229	8,508	8.5	12,040	6.9	6.4
Bibb	2,390	3,889	4,431	-12.2	6,860	10.8	11.4
Blount	7,910	9,371	10,506	-10.8	16,580	5.7	5.8
Bullock	1,168	2,248	2,502	-10.2	4,040	10.5	12.7
Butler	3,592	5,274	5,722	-7.8	8,250	12.8	12.1
Calhoun	36,451	57,248	60,814	-5.9	51,100	6.6	6.4
Chambers	8,337	11,867	10,431	13.8	16,330	5.2	5.1
Cherokee	4,880	6,620	4,641	42.6	8,430	8.5	8.1
Chilton	7,415	10,408	11,903	-12.6	15,090	9.4	9.3
Choctaw	2,009	3,438	3,580	-4.0	6,810	14.2	14.3
Clarke	7,062	9,315	9,759	-4.5	11,170	7.8	7.3
Clay	2,348	3,165	3,032	4.4	6,360	5.5	5.7
Cleburne	2,240	2,493	2,639	-5.5	5,380	6.4	5.4
Coffee	12,123	15,940	18,070	-11.8	18,030	6.4	5.2
Colbert	20,196	30,729	30,599	0.4	23,640	8.1	8.8
Conecuh	1,979	2,901	2,694	7.7	5,570	7.8	9.1
Coosa	946	1,085	1,167	-7.0	5,000	6.3	6.1
Covington	9,534	16,263	12,720	27.9	16,680	6.7	6.5
Crenshaw	3,411	4,010	3,781	6.1	6,540	6.8	6.3
Cullman	17,481	28,157	25,867	8.9	32,490	6.4	6.7
Dale	9,896	13,596	11,741	15.8	18,160	7.7	7.4
Dallas	11,859	18,187	19,965	-8.9	19,630	11.9	12.3
De Kalb	14,431	20,617	20,800	-0.9	30,030	6.6	6.4
Elmore	7,482	13,367	10,393	28.6	21,800	5.6	5.0
Escambia	8,006	11,527	13,226	-12.8	15,400	9.0	8.8
Etowah	32,881	47,797	57,427	-16.8	41,620	9.2	9.2
Fayette	3,628	5,755	6,907	-16.7	7,860	9.9	7.8
Franklin	7,012	10,118	10,962	-7.7	14,420	12.8	10.3
Geneva	3,776	5,220	10,734	-51.4	11,070	5.8	5.5
Greene	1,722	2,119	1,583	33.9	3,560	11.5	9.8
Hale	1,675	3,088	2,573	20.0	6,210	8.4	7.1
Henry	2,423	4,383	4,308	1.7	7,160	5.6	4.7
Houston	42,069	61,935	58,396	6.1	40,150	4.7	4.9
Jackson	11,093	16,808	16,270	3.3	20,580	9.3	8.8
Jefferson	281,782	442,062	476,936	-7.3	324,090	4.8	4.9
Lamar	2,444	3,551	3,454	2.8	8,330	8.7	7.7
Lauderdale	29,221	54,837	52,001	5.5	36,730	6.3	6.5
Lawrence	4,526	6,736	6,937	-2.9	12,840	10.7	10.1
Lee	29,909	43,697	41,821	4.5	41,570	3.9	4.2
Limestone	13,812	19,239	19,465	-1.2	30,210	6.2	6.2
Lowndes	1,437	2,521	2,448	3.0	5,850	12.8	10.9
Macon	4,251	5,196	3,921	32.5	9,830	6.9	6.0
Madison	97,776	147,512	131,628	12.1	132,650	5.2	4.6
Marengo	5,410	8,419	7,685	9.6	9,470	7.1	7.0
Marion	7,144	11,173	10,994	1.6	15,270	18.7	13.5
Marshall	28,233	40,665	42,237	-3.7	38,110	7.3	7.6
Mobile	142,501	206,335	194,306	6.2	166,150	7.3	7.2
Monroe	4,777	9,817	7,603	29.1	10,360	10.2	10.3
Montgomery	86,651	179,528	158,464	13.3	98,980	6.2	5.4
Morgan	38,359	55,480	61,682	-10.1	48,030	6.9	6.8
Perry	1,666	2,621	2,173	20.6	5,410	17.1	16.7
Pickens	3,395	4,944	3,925	26.0	7,130	9.2	9.9
Pike	8,783	11,580	10,804	7.2	12,770	5.5	5.3
Randolph	4,545	6,193	6,585	-6.0	8,770	7.0	7.1
Russell	9,660	14,047	12,683	10.8	21,990	6.1	5.5
St. Clair	8,216	11,985	13,950	-14.1	21,590	5.8	5.5
Shelby	28,672	36,868	31,489	17.1	42,590	4.5	3.9
Sumter	2,986	3,352	3,100	8.1	5,930	8.8	8.9
Talladega	19,377	31,963	30,191	5.9	31,440	9.4	9.1
Tallapoosa	8,975	12,847	14,062	-8.6	18,450	5.4	5.1
Tuscaloosa	50,628	77,896	76,633	1.6	71,030	4.6	4.8
Walker	29,771	34,459	35,708	-3.5	28,590	10.3	11.2
Washington	1,674	2,034	1,834	10.9	6,370	10.0	10.9
Wilcox	1,625	2,545	2,134	19.3	3,970	12.4	12.4
Winston	6,267	8,444	8,956	-5.7	10,760	15.5	10.4

SELECTED ECONOMIC INDICATORS

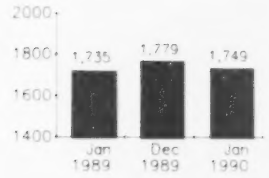
	Jan 1990	Dec 1989	Jan 1989	Percent Change Jan 89-Jan 90	Annual 1988	Annual 1989
Prices						
Consumer Price Index, U.S. All Items (1982-84 = 100)	127.4	126.1	121.1	5.2	118.3	124.0
Producer Price Index, U.S. All commodities (1982 = 100)	114.9	113.0	110.5	4.0	106.9	112.2
Consumer Purchasing Power of the Dollar	0.78	0.79	0.83	-4.9	0.85	0.81
Alabama Employment						
Total Employment (1,000)	1,749.0	1,778.9	1,734.7	0.8	1,738.0	1,773.0
Nonagricultural	1,590.8	1,603.1	1,561.7	1.9	1,558.7	1,588.3
Manufacturing	381.2	381.1	380.6	0.2	380.6	383.8
Durable goods	186.2	187.1	185.5	0.4	184.0	187.5
Nondurable goods	195.0	194.0	195.1	-0.1	196.6	196.3
Nonmanufacturing	1,209.6	1,222.0	1,181.1	2.4	1,178.1	1,204.5
Mining and quarrying	11.8	11.9	11.6	1.7	11.2	11.3
Contract construction	76.2	76.7	71.2	7.0	78.0	75.9
Trans, comm., and utilities	79.5	80.2	80.1	-0.7	79.5	80.1
Wholesale trade	84.2	84.7	82.5	2.1	80.9	84.2
Retail trade	263.7	274.5	259.7	1.5	258.8	264.9
Finance, insurance, real estate	71.3	71.2	70.2	1.6	70.3	70.9
Services and miscellaneous	305.0	305.0	293.8	3.8	289.8	302.4
Federal government	65.1	65.4	64.3	1.2	66.0	64.9
State and local government	252.8	252.4	247.7	2.1	243.5	249.8
Other Alabama Indicators						
Bituminous coal production (1,000 net tons)	2,493	1,813	2,478	0.6	26,055	26,574
Natural gas production (mil cu ft)	15,300	14,419	16,717	-8.5	176,008	181,285
Crude oil and condensate production (1,000 barrels)	1,611	1,559	1,547	4.2	20,597	19,622
Cotton consumption (1,000 lbs)	39,353	41,223	41,932	-6.2	482,002	546,490
Pulp, paper, and paperboard production (1,000 net tons)	638	548	619	3.1	6,977	7,027
Shipments by water, Port of Mobile (1,000 tons)	3,885	3,028	3,123	24.4	32,684	36,575
New passenger car registrations*	10,951	10,137	9,256	18.3	133,614	116,117

	Jan 1990	Dec 1989	Dec 1988	Percent Change Dec 88-Dec 89	Annual 1988	Annual 1989
Alabama Taxable Retail Sales ($1,000,000)						
Food	256	365	372	-1.7	4,128	4,202
General merchandise	150	394	413	-4.6	3,047	3,095
Apparel	43	132	141	-6.3	933	928
Furniture, furnishings, etc.	59	122	128	-4.6	1,035	1,023
Automotive	289	305	332	-8.1	4,233	4,220
Gasoline service stations	21	25	26	-2.2	294	308
Lumber and building materials	103	117	135	-13.5	1,713	1,650
Hardware and farm implements	14	19	22	-15.1	234	235
Eating and drinking places	113	171	174	-1.7	1,915	2,024
Drug stores	23	45	48	-4.5	418	410
Miscellaneous retail	111	232	234	-0.7	1,641	1,678
Nonretail & unclassified	226	295	306	-3.5	3,414	3,590
Total, all sales at retail	1,407	2,222	2,329	-4.6	23,006	23,363

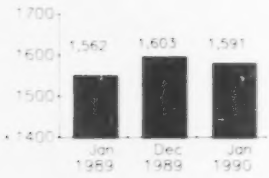
Notes and Sources: Civilian labor force, unemployment, and total employment are adjusted by place of residence, and total nonagricultural employment and its components are by place of work. All monthly data are adjusted to a March benchmark of the previous year. Shipments by water include both inbound and outbound shipments moving through private facilities as well as through the Alabama State Docks; excludes tonnage for military installations. Retail sales data represent sales at retail which are subject to sales tax as reported to the Alabama Department of Revenue under the definition of the Alabama Sales Tax Law. Total sales figures include taxable sales at retail by wholesalers and other nonretail firms as well as retail concerns. Sales at retail thus defined should not be confused with all sales (including nonretail sales) by retail concerns as reported in the Census of Retail Trade. Monthly sales figures are preliminary and subject to revision on a continuing basis. Sales figures for the two latest months are normally low because of late reporters. MSA and county level sales are estimated for multi-county firms using the 1985 disaggregation survey conducted by the Alabama Department of Revenue. Data estimates, thus, may not reflect current disaggregations for these firms. *Data on new passenger car registrations may not be reused in any manner without the express permission of R.L. Polk and Company.

Center for Business and Economic Research

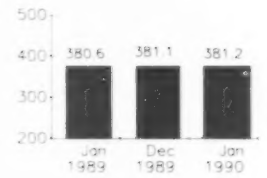
TOTAL EMPLOYMENT
(Thousands)



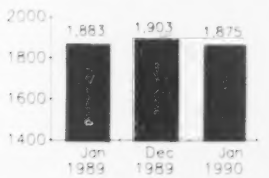
NONAGRICULTURAL EMPLOYMENT
(Thousands)



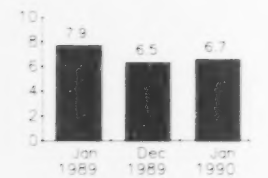
MANUFACTURING EMPLOYMENT
(Thousands)



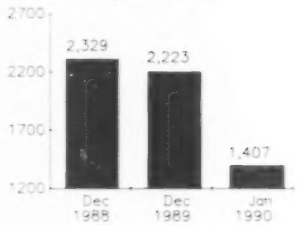
CIVILIAN LABOR FORCE
(Thousands)



UNEMPLOYMENT RATE
(Percent)



TOTAL RETAIL SALES
($ Millions)



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